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CENTRAL INTELLIGENCE AGENCY

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INFORMATION REPORT

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COUNTRY China

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SUBJECT Failure of Methods of Communist North China Foreign Trade Corporation, Tientsin

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SUPPLEMENT TO
REPORT NO.**RETAIN OR DESTROY**

1. The affairs of the North China Foreign Trade Corporation (NCFTC) are now utterly confused, partly because of the incompetence of its head, KUO Ching-wu, and his deputy, TSAO. At first, foreign businessmen could see TSAO, but now he has become haughty. TSAO's subordinate, LIU, is earnest, efficient and competent, but he does not have enough authority to be effective. On several occasions LIU has actually cursed his seniors for their stupidity.
2. The NCFTC's goal is to obtain bottom prices on imports and top prices for exports. The Communists are desperate for foreign exchange and are trying to get the maximum amount of it in this ineffective way, which is choking all possible trade. They have been interested in flour quotations and in buying copper wire*, but they have admitted that they could not pay for these products.
3. KUO's insistence on top prices for exports has failed because the NCFTC does not realize that the foreign price level, particularly on Chinese produce, is falling, while prices in Tientsin are rising.
4. Soy beans are cheaper in the United States than in Tientsin, and bristle prices abroad are falling. Meanwhile, the ready cargo of soy beans in Tientsin is only 80 percent clean and has worms, while the bristle cargo is sub-standard. Oil products from the interior remain mixed and unsalable, and, of 2,000 bales of straw braid from Shantung, only half are exportable**.
5. Even on cargoes that are not government-controlled, such as eggs, the Communists refuse to permit the export unless guaranteed what they consider to be the top price. One foreign exporter, who had already drawn a letter of credit, was refused an export license for his eggs because the selling price was considered by the Communists to be several cents too low. Since he had no recourse, he was left with 100,000 on hand.
6. The NCFTC has failed completely and has reached the limit of its resources. The personnel, and perhaps the policy, will change if one more mistake is made.

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

Next Review Date: 2008

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Communist Gasoline Situation

7. The Communist are giving first priority to the purchase of tin sheets, which are to be made into 5-gallon gasoline containers for Soviet gasoline in Tientsin. The Soviets do not want the Communists to import further gasoline from the United States.
8. Caltex is not succeeding in dealing with the Communists because of its insistence on payment of 51.5 cents (in US currency only) per gallon (in bond, and no duty paid) for gasoline in drums in Tientsin and in New York***.

Attempt of BOAC to get Air Facilities

9. Jardine-Matheson, agent for British Overseas Airways Corporation (BOAC) in Tientsin, has requested from TUNG Pi-wu, chairman of the North China People's Government, air facilities for BOAC passenger freight between Tientsin and Shanghai. It is planned to land amphibious planes at Tangku or even nearer to Tientsin.

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